



# Doc H's Blog

Kentucky Education Commissioner  
Terry Holliday



February 17, 2012

## Health Care Costs vs. Spending for Students

When I came to Kentucky in 2009, one of the first reports I read was the Kentucky Chamber of Commerce's presentation on the state budget, [The Leaky Bucket](#). In July 2011, the chamber updated the initial report with [A Stronger Bucket](#).

The original and follow-up reports have lots of interesting statistics concerning the state budget and recommendations for improving the budget. In this blog, I want to discuss a key issue in the state education budget that was highlighted by the chamber reports – increasing health care costs.

The Kentucky Department of Education's budget includes the annual appropriation for health care costs for school and district employees. In 2002, the appropriation was \$286.7 million. Governor Steve Beshear's budget proposal for FY13 shows health care costs projected to be \$627 million and for FY14, \$639.6 million. From 2002 to 2013, the increase in health care costs is \$340.4 million, or 118 percent. From 2002 to projected FY14, the increase is \$352.9 million, or 123 percent.

Another way to look at the challenge that health care costs present to state budget writers is to see the overall reductions proposed for education funding. In FY13, it's \$12.5 million. This reduction will impact Family Resource and Youth Services Centers, Extended School Services, textbooks, professional development, Read to Achieve, the Mathematics Achievement Fund, vocational schools and many other programs. The average reduction for each program will be 4.5 percent. The increase in health care costs from FY12 to FY13 is \$12.5 million. Simple logic shows that if we were able to contain health care costs at FY12 levels, then we would be able to maintain many important education programs at FY12 levels.

Another issue that is directly impacting school districts is the 2010 agreement to provide additional dollars to support health care costs for retirees in the Kentucky Teachers' Retirement System ([KTRS](#)). Beginning in 2010, all school districts were required to make a contribution on behalf of each active employee on payroll of 0.25 percent, increasing steadily to 2.25 percent in 2014. The estimated costs to school districts were \$16 million in 2010-11 and \$33 million in 2011-12. The costs will at least double for FY13 and FY14.

As an employee who benefits from the health insurance, I certainly am very interested in maintaining an excellent benefit for me and my family. I certainly understand that health care and pensions are important benefits to recruit quality teachers into education. However, the current path is not sustainable.

We are funding health care costs and other benefits at the expense of education resources that teachers and students need in order to reach college and career readiness for all students. We have asked teachers to implement more rigorous standards and reach a higher expectation – college and career readiness for all – and we have eliminated all dollars for instructional resources and greatly reduced the professional development and support for teachers.

The answer to this dilemma is well above my pay grade. I don't envy the members of the General Assembly or the Governor as they struggle with increasing demands and scarce resources. The purpose of this blog was to create awareness and hopefully encourage some dialogue about the challenges we face in funding education in the Commonwealth.

Terry Holliday, Ph.D.